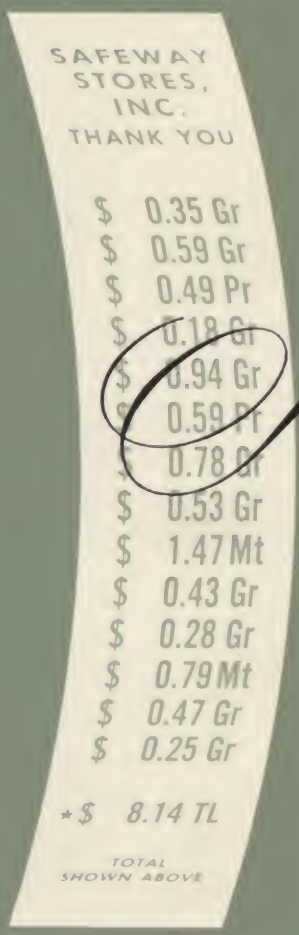
Safeway Stores INCORPORATED



Annual Report

YEAR ENDED DECEMBER 31ST **1953**

BOARDS

Safeway's Record in Brief

	1953	1952
SALES	$1,751,819,708	$1,639,095,212
Income from dividends, interest and other sources	283,199	189,164
Cost of merchandise—paid out to farmers and other suppliers of goods and expended for manufacturing and warehousing	1,484,147,500	1,407,213,861
Total operating and administrative expenses, other charges and provision for income and excess profits taxes	253,410,675	224,738,572
NET INCOME	14,544,732	7,331,943
Dividends to preferred stockholders	1,914,418	1,641,948
Net Profit applicable to common stock	12,630,314	5,689,995
NET PROFIT PER SHARE OF COMMON STOCK based on average number of shares outstanding during the year	4.31	2.01
Dividends to common stockholders	7,090,916	6,795,599
Dividends per share to common stockholders	2.40	2.40
Number of new stores opened during the year	16	81
Number of stores closed during the year	71	114
Number of stores in operation at end of year	2,037	2,092

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CORPORATION FILE

SAFEWAY STORES, INCORPORATED

President Lingan A. Warren's

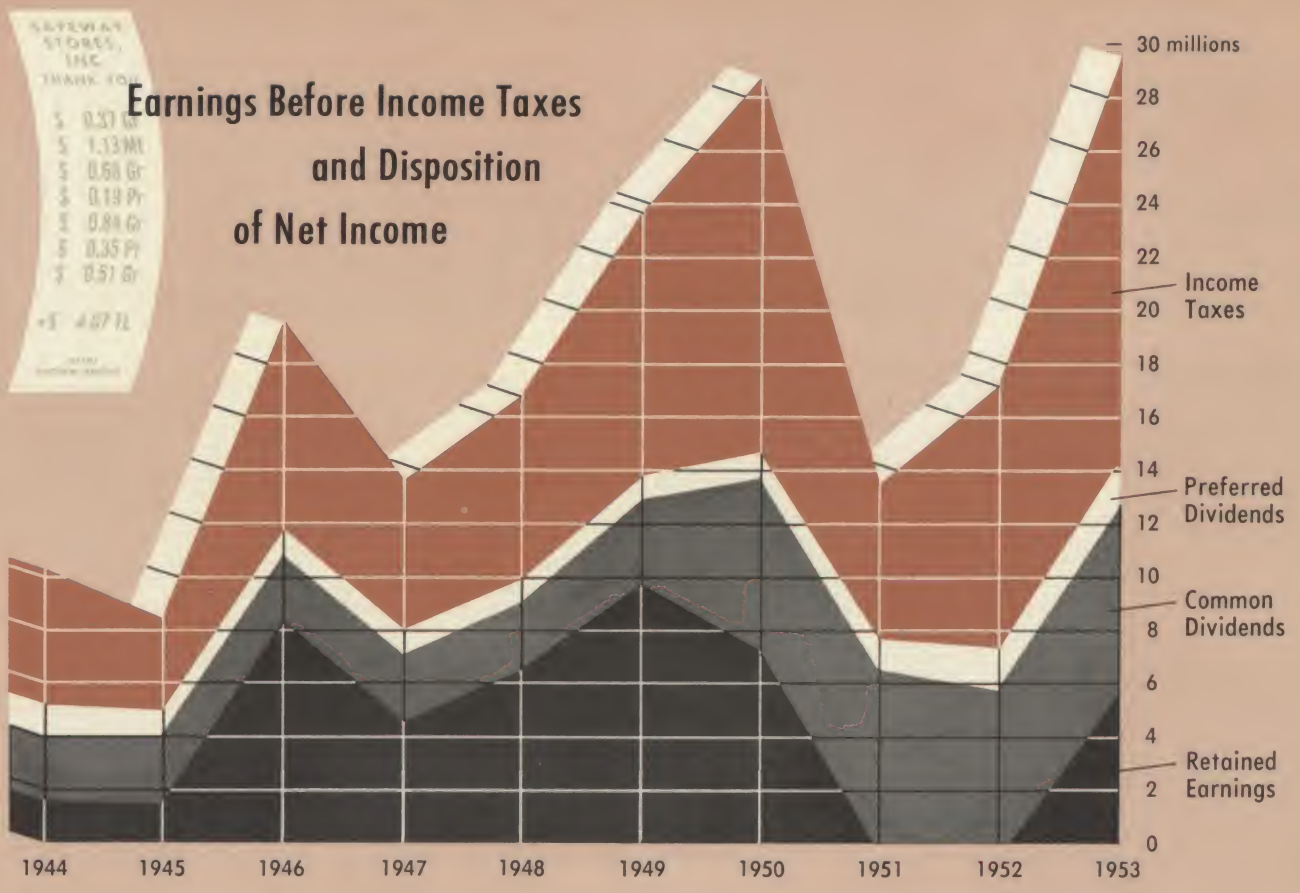
Annual Report

to the Stockholders

THE YEAR 1953 saw a return of normal competitive conditions for business generally after more than ten years of hardship under price and wage controls, material allocations, and merchandise shortages. For your Company this return to normal operations was accompanied by a new sales record and by a substantial improvement over 1952 earnings.

Net sales in the United States for 1953, including sales of $19,280,-472 by Salem Commodities, Incorporated, were $1,602,178,467, an increase of $103,284,251 over net sales in 1952. Net sales of the Canadian subsidiaries (in Canadian dollars) were $149,641,241 in

Continued on page 5



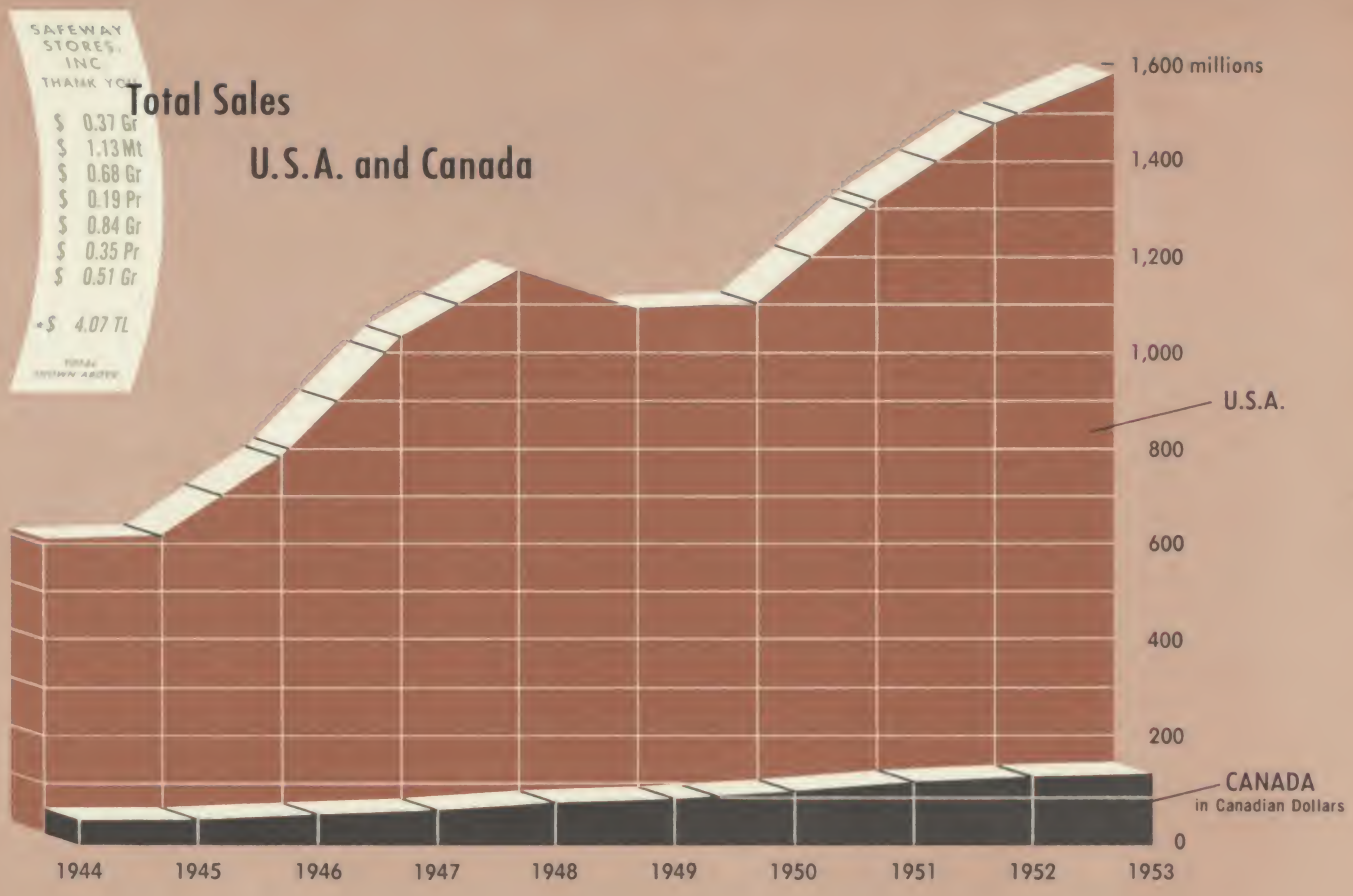
Safeway Stores, Incorporated

and All Subsidiaries Consolidated

Capital and Surplus, Net Assets Per Share of Preferred Stock and Book Value, Dividends Paid and Net Earnings Per Share of Common Stock.

Year	*Capital and Surplus*	*Net Assets Per Share of Preferred Stock*	*Book Value Per Share of Common Stock**	*Dividends Paid Per Share of Common Stock**	*Net Earnings Per Share of Common Stock**
1944	$ 62,564,498	$299	$16.40	$1.00	$1.63
1945	63,604,685	311	16.97	1.00	1.59
1946	71,901,081	359	20.18	1.00	4.29
1947	76,039,946	388	21.96	1.00	2.75
1948	81,972,829	428	24.44	1.00	3.50
1949	91,236,990	488	28.22	1.25	5.04
1950	115,215,274	371	29.76	2.40	5.20
1951	113,821,747	377	29.58	2.40	2.26
1952	132,273,480	266	29.03	2.40	2.01
1953	138,196,700	335	31.23	2.40	4.31

*Number of shares adjusted to reflect April 12, 1945 3-for-1 split.



Total Sales

and Average Number of Stores in Operation

1944-1953

	Year	In Thousands of Dollars: Retail Sales*	Wholesale Sales*	Total Sales*	Retail Stores	Average Weekly Sales Per Retail Store
UNITED STATES	1944	$ 609,552	.....	$ 609,552	2,322	$ 5,048
	1945	615,111	.....	615,111	2,312	5,116
	1946	785,574	.....	785,574	2,287	6,606
	1947	1,037,797	.....	1,037,797	2,260	8,831
	1948	1,178,702	.....	1,178,702	2,169	10,253
	1949	1,095,064	.....	1,095,064	2,066	10,193
	1950	1,100,852	.....	1,100,852	1,949	10,862
	1951	1,320,919	.....	1,320,919	1,967	12,914
	1952	1,481,712	$ 2,417	1,484,129	1,966	14,493
	1953	1,578,481	4,417	1,582,898	1,916	15,545
CANADA (In Canadian Dollars)	1944	$ 35,037	$17,154	$ 52,191	141	$ 4,779
	1945	37,869	17,190	55,059	140	5,202
	1946	42,568	19,623	62,191	141	5,806
	1947	51,594	22,469	74,063	141	7,037
	1948	67,247	21,730	88,977	139	9,128
	1949	75,207	22,900	98,107	136	10,634
	1950	84,063	24,477	108,540	135	11,975
	1951	102,131	27,316	129,447	137	14,336
	1952	111,751	28,450	140,201	138	15,590
	1953	118,781	30,860	149,641	138	16,193

*Exclusive of sales to the public by Salem Commodities, Incorporated.

What happened to Safeway's 1953 Sales Dollar?

Here we see a breakdown of the average sales dollar taken in by Safeway, showing the percentage of each $1.00 paid out to operate the Company's business.

84.70¢ Paid out to Farmers and other Suppliers of Goods and Expended for Manufacturing and Warehousing

7.41¢ Paid out in Salaries, Wages and Bonuses

4.88¢ Paid out for Operating Supplies and Other Expenses

1.41¢ Paid out for Local, State and Federal Taxes

.71¢ Set aside to cover Depreciation

.83¢ Profit for Stockholders and Surplus

.06¢ Paid out as Compensation to Elected Officers

1953 as compared with $140,200,996 in 1952. Total aggregate net sales of your Company and all subsidiaries during 1953 were $1,751,-819,708, the greatest in its history. This was an increase of $112,724,-496, or 6.88% over the previous record set in 1952.

Sales, Earnings, Balance Sheet Information

The net profit before provision for taxes on income of your Company and all subsidiaries included in the Condensed Statements of Profit and Loss was $29,620,074 in 1953. This compares with a 1952 net profit before income taxes of $17,094,348. After allowing for a refund of $470,122 of excess profits taxes paid in prior years and after providing for United States Federal Normal Income Tax and Surtax of $12,-026,000 and Canadian taxes on income of $3,185,000, the net profit after taxes on income was $14,544,732 for 1953 as compared with $7,331,943 for 1952.

Consolidated net earnings of your Company and all subsidiaries applicable to the common stock, after payment of preferred dividends of $1,914,418, were equal to $4.31 per share on 2,928,159 shares, the average number of shares of common stock outstanding during 1953. This compares with $2.01 per share on the 2,831,207 shares of common stock outstanding in 1952. Dividend requirements on the 291,886

shares of 4% cumulative preferred stock and the 120,177 shares of 4½% cumulative convertible preferred stock outstanding at the end of the year were earned 8.51 times.

Dividends have been paid by your Company without interruption on all outstanding shares of common and preferred stock since its incorporation in 1926.

Total net assets, total current assets and total current liabilities of your Company and all subsidiaries on a fully consolidated basis on December 31, 1953 are shown in the Condensed Statements of Financial Position bound with this Report. Excluding Canada Safeway Limited, Cortland Equipment Lessors, Incorporated, Salem Commodities, Incorporated and their subsidiaries, total current assets were $182,762,356, total current liabilities were $93,511,211 and the ratio of current assets to current liabilities was 1.95 to 1. The total net assets were $138,196,700 and the ratio of current assets to current liabilities was 1.64 to 1 on a fully consolidated basis.

Your Company's earnings, its annual sales to the public, the average number of retail stores in operation and the average weekly sales per store for the last ten years are shown in the charts and tables set out in

this report. Also shown therein are the capital and surplus of your Company and all subsidiaries, the net assets per share of preferred stock and the book value, dividends paid and earnings per share on the common stock over the last ten years. Book values are computed on the number of shares outstanding at the end of the year and earnings per share are based on the average number of shares outstanding during the year.

Issue of Additional Shares of Stock

During 1953 your Company issued 23,397 shares of common stock to Tea Garden Products Co., a processor and packer of jams, jellies and fruit juices as consideration for substantially all of its assets, subject to liabilities. In addition 239,469 shares of common stock were issued on the conversion of 79,823 shares of 4½% convertible preferred stock. The shares of 4½% convertible preferred stock have been called for redemption on April 1, 1954. It is expected that a substantial number of the holders of such stock will take advantage of the option to convert their convertible preferred stock into common stock prior to the redemption date.

Construction Program

Your Company completed the construction of 16 new retail locations in 1953, 15 of which were located in the United States and 1 in Canada.

There were another 31 retail locations under construction on December 31, 1953, all of which should be completed during 1954. In addition, plans and specifications were either prepared or in process of preparation for 121 locations at the year end.

Your Company also had a distribution center at Denver, Colorado, and a grocery warehouse at El Paso, Texas, under construction at the end of the year.

Safeway continued to modernize its existing stores during 1953, installing such improvements as modern store fronts, fluorescent lights, self-service meat facilities, refrigerated produce and frozen food cases, new center fixtures, shelving, check stands and air conditioning at 196 retail locations during the year. An additional 17 major remodeling projects were in progress at the end of the year.

Your Company's construction program calls for the construction annually of approximately 100 new retail locations and for the construction of warehouse and plant facilities where required to handle properly the increased sales volume. These properties will be sold and leased back under the Company's "buy-build-sell-lease" arrangement. Less emphasis will hereafter be placed on the remodeling of existing

retail locations, since a large part of the non-remodeled locations will ultimately be replaced by new locations.

Facilities at the End of the Year

During 1953, 15 retail stores were opened and 71 retail stores closed in the United States. During the same period 1 retail store was opened in Canada. At the end of the year there were 1,898 retail stores, 22 grocery warehouses, 16 produce warehouses, 10 meat warehouses, 14 bread bakeries, 4 cake bakeries, 2 cracker and cooky bakeries, a jam and jelly plant, a candy plant, 10 fluid milk plants, 7 ice cream plants and 6 coffee roasting plants in operation in the United States and 139 retail stores, 12 grocery warehouses, 2 produce warehouses, 3 bakeries, a fluid milk plant, a coffee roasting plant, a fruit cannery, a vegetable cannery, and a jam and jelly plant in operation in Canada.

The expense of closing vacated stores and the unamortized value of leasehold improvements on these stores have been charged against current earnings. Leasehold improvements on continuing stores are being charged off on an amortization basis.

Employee Relations

Excellent relations existed throughout 1953 between your Company and its employees and their union representatives. No serious labor

controversies or work stoppages took place during the year, none existed at the year-end and none are foreseen for the immediate future.

Employee Benefits

Your Company has continued to make liberal group insurance, retirement and profit-sharing programs available to its employees.

Group insurance, obtainable by employees at reasonable cost, provides life, hospital, surgical, polio, accident and sickness benefits for employees and their dependents. The program was revised in 1953 by the addition of a "Major Medical Expense" benefit designed to protect employees against exceptionally high medical and hospital charges resulting from serious accident or prolonged illness, by the addition of polio coverage and by increases in payments for hospital and surgical charges, in life insurance limits and in weekly benefits for "off the job" disabilities. Group insurance is carried by 32,439 or 86% of the eligible employees in the United States and by 2,425 or 92% of the eligible employees in Canada. Total insurance in force at the end of the year was $750,674,000 in the United States and $64,942,000 in Canada.

On December 31, 1953, 9,529 employees or 93% of those eligible were members of the United States and Canadian Employee Re-

tirement Plans. On the same date benefits thereunder were being paid to 319 retired employees. Your Company's 1953 contributions to the Retirement Plans (fully deductible for tax purposes as a business expense) were $2,005,715 in the United States and $227,494 in Canada, or approximately 4½% of the payroll of participating employees.

At the end of 1953 2,563 employees of your Company were participating in the Profit-Sharing Plan approved by the stockholders in 1951 and placed in effect as of January 1, 1952. The payments to this Plan (aggregating $3,062,855 in 1953) represent a deferment of compensation earned by the participants and are fully and presently deductible for tax purposes by the Company.

Employees as Citizens

The employees of your Company are encouraged to take an active part in the affairs of the communities in which they reside. The following examples show how well they fulfill their community obligations:

A Portland, Oregon location manager is president of his local Kiwanis Club.

A secretary in Oakland is president of a local Business & Professional Women's Club.

A Canadian plant superintendent was elected a member of the Town Council in a hotly contested election.

A location manager in Montana is chairman of the Retail Merchants Division of the local Chamber of Commerce.

A location manager in Washington was elected to his City Council by a 4-to-1 majority.

A Texas location manager was elected president of his local Lions Club.

A Washington location manager served as the 1953 president of his local Chamber of Commerce.

An Idaho location manager was appointed fund-raising chairman of the local Red Cross.

A location manager in Washington was elected to the Park Board of his town.

A California location manager was recently elected president of his Chamber of Commerce.

A food clerk in Texas is serving as secretary of his Rotary Club.

A Manhattan location manager was cited for community service by his Veterans of Foreign Wars Post.

A Colorado head meat cutter was elected commander of his American Legion Post.

A Washington location manager is serving on the board of directors of his local Chamber of Commerce.

A San Francisco Zone executive served as head of the East Bay United Crusade's publicity committee.

A head meat cutter in Colorado has spent 32 years on his town's volunteer fire department; as chief, he supervises a crew of 30 and serves 27-mile area with three fire engines.

Taxes

Few people realize the tremendous tax burden that has been assumed by business. In 1953, your Company contributed $6,700,619 in the

form of city, county, school and local district taxes toward the cost of local government. In addition, it paid $21,231,592 as income, sales, excise, franchise and social security taxes to the state and federal governments. The aggregate amount of these taxes ($27,932,211) was $15,301,897 more than the amount of net earnings available for common stock dividends.

I wish to sincerely thank our stockholders, employees and the Board of Directors for their help and cooperation during the past year.

Fingan A. Warren

President

There's Always A Better Way...

At Safeway, we like to think of research as an inquiring "attitude of mind". By this we mean that Safeway people all are seeking a better way to do things—not only in our technical laboratories and other specialized departments, but at every stage of our operations—from the source of our raw supplies at the farm, to the homes of our customers where the finished products are ultimately used.

The field buyer inspecting the farmer's crop, the meat specialist looking over a herd of steers, the plant manager with a processing problem, the warehouse manager, the store manager, in the Supplier and Service operations of the Company—in all phases of the business, and at all stages from the farm to the kitchen, Safeway people are constantly looking for a better way through the application of research principles.

Interior of new store at Portland, Oregon, illustrating the latest developments in design and equipment.

This color photograph of one of Safeway's newest stores shows the end-result of a tremendous amount of research. The store layout itself and the fixtures in it represent the latest developments from years of study by our retail management and by Safeway's Service Companies.

The color scheme and wall signs have been worked out by a special task force of Safeway men from half a dozen Company operations. The lighting is the result of study of the unique problems of store illumination by specialists in this field. Shelf space requirements have been studied on the basis of the weekly sales of each item, and measured in terms of cubic inches.

Even the problem of keeping the asphalt tile floor clean and attractive has been studied. A machine has been developed with the assistance of Safeway researchers which scrubs, rinses and dries the floor in one operation, completed in one hour and a half by one man.

No item, no problem, is too minor for study, if it leads to improvement. The search for a better way goes on unceasingly.

Research is never finished. When one project has been completed, a new one is started. Illustrated on these pages are some of the research activities currently underway—the development of improved breeds of cattle, better methods of handling fruits and vegetables, new bakery products, more efficient store designs, and the map room where Safeway's President, Lingan A. Warren, meets daily with the Real Estate Committee to study the most effective location of stores and distributing facilities.

Laboratory of Safeway's for weight-watchers are

White "nose patch" and black bodies identify these young steers as Hereford-Angus crossbreeds, gaining in popularity.

Here, vacuum cooling before shipping illustrates the latest improvement in handling highly perishable fruits and vegetables.

bread company carries on extensive research in development of new doughs and nutritive value of ingredients. "Diet breads" among top projects. This laboratory also conducts tests for other Company bakeries.

Safeway's drafting room, where new store and fixture designs are studied and developed.

Location plans and potential sales research are reviewed daily in the map room in Administrative Office building.

Illustrated above is the latest example in Safeway store design. Improvements in design are being made continually. Exterior colors and materials are tailored to local conditions.

Much of Safeway's research is conducted by our own service organizations set up expressly for this purpose. One maintains a "model store" where new fixtures and store operating methods are tested. A fully staffed market research operation each year sends hundreds of interviewers to get information from many thousands of consumers. Home economists working in modern testing kitchens help control quality and assist in the development of better products for Safeway's Sponsored Brands. These are some of the methods by which Safeway people from the store manager to the President, day-in-and-day-out, seek the answer to the challenge, "There's Always a Better Way".

Left: Color scheme is planned to "warm-up" store interiors and intensify natural colors of product displays. Refrigerated cases help assure top quality fruits and vegetables.

New type of automatic check stand is tested in "model store" under actual operating conditions.

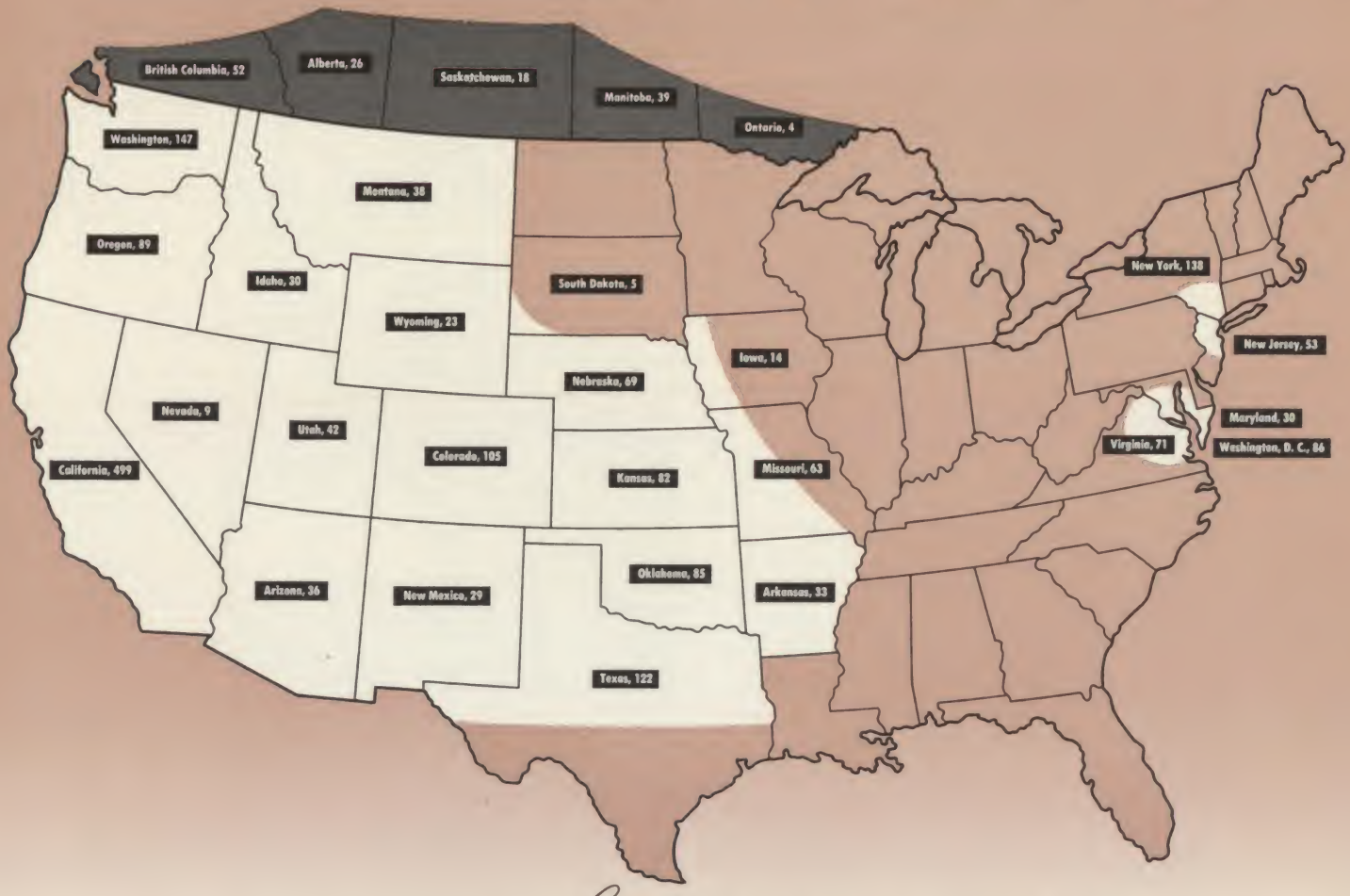
Safeway interviewers call on consumers in their homes to get "first-hand" information on their shopping habits and opinions.

Home economists check quality of Safeway's Sponsored Brands and help develop improved products.

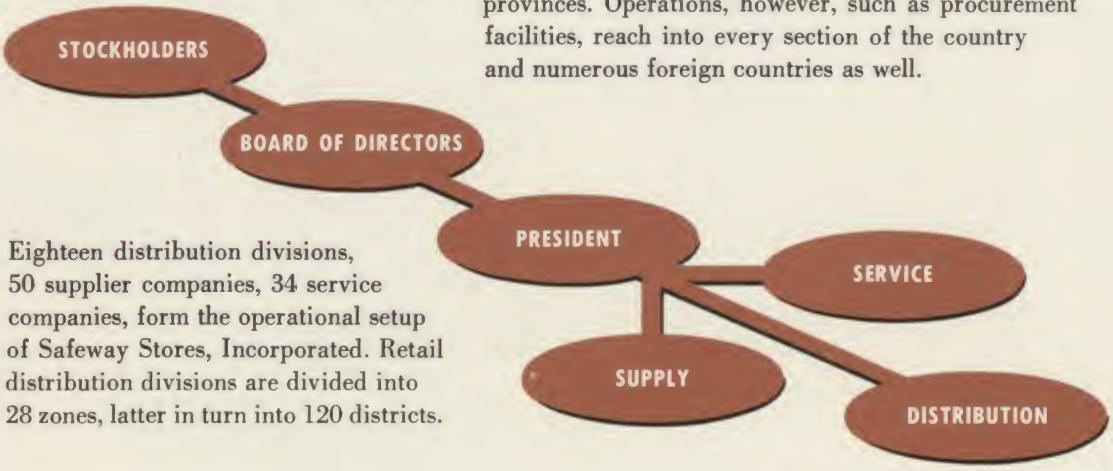
2,037 Safeway Stores in U.S.A. and Canada

USA stores in operation as of December 31, 1953 **1,898**

CANADA stores in operation as of December 31, 1953 **139**



Safeway, second largest retail food concern in the world, operates stores in 23 of the United States and five Canadian provinces. Operations, however, such as procurement facilities, reach into every section of the country and numerous foreign countries as well.



Eighteen distribution divisions, 50 supplier companies, 34 service companies, form the operational setup of Safeway Stores, Incorporated. Retail distribution divisions are divided into 28 zones, latter in turn into 120 districts.

SAFEWAY STORES, INCORPORATED (A MARYLAND CORPORATION)

Statement of Profit and Loss *and Net Income Retained in the Business for the Year ended December 31, 1953, with Comparative Figures for the Preceding Year*

	1953	1952
Sales to Public	$1,582,897,995	$1,484,129,254
Sales to Affiliated Companies	3,059,148	3,149,729
Total	1,585,957,143	1,487,278,983
Cost of Sales	1,350,217,354	1,284,140,434
Gross Profit	235,739,789	203,138,549
Operating and Administrative Expenses	212,655,647	193,232,557
Operating Profit	23,084,142	9,905,992
Other Income:		
Parent Company's equity in earnings of subsidiaries	3,721,925	3,468,151
Interest received and sundry income	278,211	203,512
	4,000,136	3,671,663
	27,084,278	13,577,655
Other Charges:		
Interest	1,022,009	1,632,619
Loss on disposition of fixed assets (net)	430,195	112,688
	1,452,204	1,745,307
Profit before Taxes on Income	25,632,074	11,832,348
Provision for Taxes on Income:		
Federal normal income tax and surtax	11,254,000	4,442,000
Federal excess profits tax—refund prior years	(470,122)	—
Other	303,464	58,405
	11,087,342	4,500,405
Net Profit for Year	14,544,732	7,331,943
Net Income Retained in the Business at Beginning of Year	52,560,100	54,344,457
	67,104,832	61,676,400
Deduct:		
Cash dividends:		
4½% Convertible preferred stock	741,294	450,000
4% Preferred stock	1,173,124	1,191,948
Common stock—$2.40 per share	7,090,916	6,795,599
Expenses of sale of 4½% preferred stock—in 1953 amount applicable to shares converted to common, transferred to additional paid-in capital	(236,155)	591,695
Loss on sale of 5% preferred stock—Canada	—	90,469
Premium (net) on preferred stock acquired in 1951 transferred to additional paid-in capital	—	(3,411)
	8,769,179	9,116,300
Net Income Retained in the Business at End of Year	$ 58,335,653	$ 52,560,100

See notes to financial statements

SAFEWAY STORES, INCORPORATED (A MARYLAND CORPORATION)

Statement of Financial Position

as of December 31, 1953, with Comparative Figures for the Preceding Year

	1953	1952
Current Assets:		
Cash	$ 45,426,843	$ 53,992,030
Accounts receivable—less allowance for uncollectible accounts 1953, $65,583 and 1952, $61,923	2,382,339	2,468,257
Due from sale of properties (principally Company occupied)	1,706,148	768,243
Due from subsidiaries	87,732	2,366,794
Merchandise inventories—at lower of cost or market	98,864,534	97,849,500
Prepaid insurance, taxes, rents, supplies, etc.	6,709,404	6,628,327
Properties for sale under the Company's real estate program	26,199,780	21,278,476
Total Current Assets	$181,376,780	$185,351,627
Deduct Current Liabilities:		
Notes payable to banks	$ 12,350,000	$ 27,550,000
Accounts, mortgages and drafts payable	50,814,049	57,319,294
Accrued expenses	9,152,678	7,944,321
Due to subsidiaries	9,539,748	1,088,464
Dividends payable	438,106	522,416
Federal income taxes	11,894,470	4,826,232
Total Current Liabilities	$ 94,189,051	$ 99,250,727
Working Capital (Carried forward)	$ 87,187,729	$ 86,100,900
Current Assets per dollar of Current Liabilities	$1.93	$1.87

SAFEWAY STORES, INCORPORATED (A MARYLAND CORPORATION)

Statement of Financial Position

as of December 31, 1953, with Comparative Figures for the Preceding Year

	1953	1952
Working Capital (Brought forward)	$ 87,187,729	$ 86,100,900
Investment in Subsidiaries—including advances of $3,531,622	38,449,468	37,462,966
Miscellaneous Investments—at cost or less	1,107,513	955,013
Fixed Assets—at cost less depreciation of $1,662,564	11,451,990	7,754,601
Working Capital and Other Assets	$138,196,700	$132,273,480
Deduct:		
4½% Convertible preferred stock (cumulative)—par value $100 per share—authorized and outstanding 120,177 shares	12,017,700	20,000,000
4% Preferred stock (cumulative)—par value $100 per share—authorized 781,352 shares—outstanding 291,886 shares (after deducting 2,094 shares in treasury)	29,188,600	29,736,600
	$ 41,206,300	$ 49,736,600
Total Common Stockholders' Equity	$ 96,990,400	$ 82,536,880
Consisting of:		
Common stock—authorized 9,000,000 shares, par value $5 per share—outstanding 3,105,760.92 shares (after deducting 15,316.08 shares in treasury)	$ 15,528,804	$ 14,214,475
Additional paid-in capital	23,125,943	15,762,305
Net income retained in the business	58,335,653	52,560,100
Total Common Stockholders' Equity	$ 96,990,400	$ 82,536,880
Book value per share of common stock	$31.23	$29.03

See notes to financial statements

P E A T , M A R W I C K , M I T C H E L L & C O .

Accountants' Report

The Board of Directors,
Safeway Stores, Incorporated:

We have examined the statements of financial position of Safeway Stores, Incorporated and of its subsidiaries as of December 31, 1953 and the related statements of profit and loss and net income retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the current asset classification of properties described in the note to financial statements "Properties for Sale Under the Company's Real Estate Program," the accompanying statements of financial position and statements of profit and loss and net income retained in the business present fairly the financial position of Safeway Stores, Incorporated and its subsidiaries at December 31, 1953 and the results of their operations for the year then ended. Generally accepted accounting principles have been employed on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

San Francisco, California,
February 24, 1954.

Notes *to Financial Statements*

Properties for Sale Under the Company's Real Estate Program. Under the Company's "buy-build-sell-lease" program, these properties are for development, sale in due course, and lease-back.

Fixed Assets and Depreciation. Store, warehouse, plant, automotive and other equipment used by Safeway Stores, Incorporated and its U. S. subsidiaries is leased from Cortland Equipment Lessors, Incorporated, which subsidiary has assigned all rentals under such lease as security for payment of its obligations to banks which are payable quarterly in decreasing amounts to 1960.

The total amount included as depreciation expense for 1953 in the accompanying accounts is $17,068,975.

Properties Mortgaged. Included in the accompanying statements are land and buildings costing $7,547,468 which are mortgaged for $4,569,584.

Capital Stock. The terms of issue of each of the preferred stocks require sinking funds sufficient to provide for retirement annually of 2% of the maximum number of shares issued. The sinking fund requirements for 1954 amount to approximately $416,300 in the U. S., after considering stock held in the treasury which may be applied toward the requirement, and $130,000 in Canada. The preferred stocks are subject to redemption on call at a premium which is now $3.00 per share and which becomes reduced periodically ultimately to 50¢ per share for U. S. and to no premium for Canadian stock.

Of the unissued common stock of Safeway Stores, Incorporated, 360,531 shares are reserved for conversion of the outstanding 4½% preferred stock in the ratio of three shares of common for one share of preferred. Subsequent to the year-end, the convertible preferred stock was called for redemption on April 1, 1954. Additionally, 150,000 shares of the common stock are reserved for issuance pursuant to options granted to officers and employees to purchase 119,000 shares, and pursuant to options to purchase 31,000 shares authorized but not yet granted.

Net Income Retained in the Business. Net income retained in the business of the parent company includes $4,513,133 of undistributed earnings of the subsidiaries and the parent company's investment in subsidiaries has been adjusted accordingly.

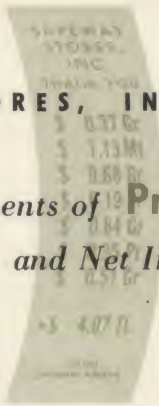
The accounts of the Canadian subsidiaries are reflected as U. S. funds at dollar for dollar.

Additional Paid-In Capital. Changes in Additional Paid-In Capital of Safeway Stores, Incorporated during the year consist of discount on 4% preferred stock acquired $61,291, excess of par value of 4½% preferred stock over par value of common stock issued on conversion $6,784,955, less pro-rata share of original issue expense $236,155, premium on issue of 23,397 shares of common stock $754,215 and premium paid on purchase of 5% preferred stock of Canada Safeway Limited, $669. Safeway Stores, Incorporated contributed $311,766 to the Additional Paid-In Capital of Cortland Equipment Lessors, Incorporated and $291,382 to that of Salem Commodities, Incorporated. Canada Safeway Limited had a deduction of $669 for premium on purchase of 5% preferred stock.

Employees' Retirement and Profit Sharing Plans. Payments by the Companies into the Employees' Retirement Plan Trust Funds for the year amounted to $2,005,715 in the U. S. and $227,494 in Canada. Payments to the Profit Sharing Plan Trustee for the year amounted to $3,062,855 in the U. S.

Contingent Liabilities and Commitments. (a) The liability for completion of contracts for the construction of plants, warehouses and retail store buildings not reflected in the financial statements amounted to approximately $13,000,000.

(b) The leases in effect as to all companies for stores, warehouses, and other properties number 2,852. Of these, 1,914 contain options to cancel. If the Company should exercise the options to cancel, it could be required to purchase 1,349 properties. The minimum annual rentals for the ensuing year under all leases (some of which contain percentage of sales clauses) and excluding any taxes, insurance and maintenance payable by the lessee amount to approximately $16,700,000 on properties in the U. S. and $774,000 on properties in Canada; these aggregate amounts decrease annually until the year 2001 as leases expire.



Condensed Statements of Profit and Loss

and Net Income Retained in the Business for the Year ended December 31, 1953

	Safeway Stores, Incorporated and Certain Subsidiaries	Cortland Equipment Lessors, Incorporated	Salem Commodities, Incorporated and Subsidiary	Canada Safeway Limited and Subsidiaries	Consolidated
Sales and Revenue:					
Sales to public	$1,582,897,995	$ —	$ 19,280,472	$149,641,241	$1,751,819,708
Sales to parent and affiliated companies	3,059,148	—	389,245,707	441,044	—
Equipment rental received from parent company	—	20,199,811	—	—	—
Total	1,585,957,143	20,199,811	408,526,179	150,082,285	1,751,819,708
Cost of Sales	1,349,432,785	—	399,831,581	129,035,362	1,484,147,500
Gross Profit	236,524,358	20,199,811	8,694,598	21,046,923	267,672,208
Operating and Administrative Expenses	213,097,091	16,776,933	7,576,679	14,246,814	232,904,035
Operating Profit	23,427,267	3,422,878	1,117,919	6,800,109	34,768,173
Other Income:					
Parent Company's equity in earnings of subsidiaries	3,580,529	—	—	—	—
Interest received and sundry income	279,482	—	2,503	1,214	283,199
	3,860,011	—	2,503	1,214	283,199
	27,287,278	3,422,878	1,120,422	6,801,323	35,051,372
Other Charges:					
Interest on long-term debt	—	2,107,627	—	87,750	2,195,377
Other interest	1,022,009	687	537,312	87,496	1,647,504
Loss on disposition of fixed assets	430,195	741,153	—	101,899	1,273,247
Dividends to public on preferred stock of a subsidiary	—	—	—	—	315,170
	1,452,204	2,849,467	537,312	277,145	5,431,298
Profit before Taxes on Income	25,835,074	573,411	583,110	6,524,178	29,620,074
Provision for Taxes on Income:					
Federal normal income tax and surtax	11,446,000	290,000	290,000	—	12,026,000
Federal excess profits tax—refund prior years	(470,122)	—	—	—	(470,122)
Other	314,464	20,000	—	3,185,000	3,519,464
	11,290,342	310,000	290,000	3,185,000	15,075,342
Net Profit for Year	14,544,732	263,411	293,110	3,339,178	14,544,732
Net Income Retained in the Business at Beginning of Year	52,560,100	732,897	588,897	1,602,695	52,560,100
	67,104,832	996,308	882,007	4,941,873	67,104,832
Deduct:					
Cash dividends:					
To Public:					
On preferred stock	1,914,418	—	—	315,170	1,914,418
On common stock	7,090,916	—	—	—	7,090,916
To Parent Company:					
On common stock	—	—	—	2,800,000	—
Transfer to additional paid-in capital of issue expense of preferred stock converted	(236,155)	—	—	—	(236,155)
	8,769,179	—	—	3,115,170	8,769,179
Net Income Retained in the Business at End of Year	$ 58,335,653	$ 996,308	$ 882,007	$ 1,826,703	$ 58,335,653

See notes to financial statements

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES

Condensed Statements of Financial Position

as of December 31, 1953

	Safeway Stores, Incorporated and Certain Subsidiaries	Cortland Equipment Lessors, Incorporated	Salem Commodities, Incorporated and Subsidiary	Canada Safeway Limited and Subsidiaries	Consolidated
ASSETS					
Current Assets:					
Cash	$ 46,035,871	$ 124,387	$ 3,876,372	$ 3,262,014	$ 53,298,644
Accounts receivable	2,418,790	—	1,505,603	1,634,807	5,559,200
Due from sale of properties	1,706,148	—	—	7,949	1,714,097
Due from parent and affiliated companies	89,231	—	8,351,349	—	—
Merchandise inventories—at lower of cost or market	99,427,644	—	24,324,615	12,299,537	136,051,796
Prepaid expenses and supplies	6,884,892	—	326,756	280,286	7,491,934
Properties for sale under the Company's real estate program	26,199,780	—	—	2,786,454	28,986,234
Total Current Assets	182,762,356	124,387	38,384,695	20,271,047	233,101,905
Investment in subsidiaries—including advances of $3,531,622	36,386,052	—	—	—	—
Miscellaneous investments—at cost or less	1,107,513	—	—	19,851	1,127,364
Fixed Assets:					
Cost	13,114,554	146,327,884	46,037	9,339,323	168,827,798
Less depreciation	1,662,564	58,313,804	31,752	4,595,672	64,603,792
Net Fixed Assets	11,451,990	88,014,080	14,285	4,743,651	104,224,006
Total	$231,707,911	$ 88,138,467	$38,398,980	$25,034,549	$338,453,275
LIABILITIES					
Current Liabilities:					
Notes and debentures payable	$ 12,350,000	$ 14,320,000	$20,000,000	$ 4,150,000	$ 50,820,000
Accounts, mortgages and drafts payable	51,135,981	41,763	9,591,798	4,562,960	65,332,502
Accrued expenses	9,172,530	65,567	433,376	804,270	10,475,743
Dividends payable	438,106	—	—	26,023	464,129
Due to parent and affiliated companies	8,293,802	3,579,916	—	98,484	—
Federal and Canadian income taxes	12,120,792	324,222	306,356	1,877,531	14,628,901
Total Current Liabilities	93,511,211	18,331,468	30,331,530	11,519,268	141,721,275
Notes and debentures payable—long term	—	49,890,000	—	2,400,000	52,290,000
Preferred stocks of subsidiary held by public	—	—	—	6,245,300	6,245,300
Equity of Safeway Stores, Incorporated:					
Common stock	—	300,000	300,000	2,800,000	—
Additional paid-in capital	—	18,620,691	6,885,443	243,278	—
Net income retained in the business	—	996,308	882,007	1,826,703	—
Total Equity of Safeway Stores, Incorporated	—	19,916,999	8,067,450	4,869,981	—
Equity of stockholders of parent company:					
Preferred stockholders	41,206,300	—	—	—	41,206,300
Common stockholders	96,990,400	—	—	—	96,990,400
Total	$231,707,911	$ 88,138,467	$38,398,980	$25,034,549	$338,453,275

See notes to financial statements

Safeway Stores, Incorporated

A MARYLAND CORPORATION

AS OF DECEMBER 31, 1953

Executive Officers

LINGAN A. WARREN, *President*
C. N. SANDERS, *Vice President*
DWIGHT COCHRAN, *Vice President*
A. R. GRIFFITH, *Vice President*
W. S. MITCHELL, *Controller*
MILTON L. SELBY, *Secretary-Treasurer*

Directors

NORMAN CHANDLER
DWIGHT COCHRAN
ARTEMUS L. GATES
A. R. GRIFFITH
W. S. MITCHELL
C. N. SANDERS
MILTON L. SELBY
LINGAN A. WARREN

Executive Offices

4th and Jackson Streets,
Oakland, California

Transfer Agents

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
New York, New York

THE CROCKER FIRST NATIONAL
BANK OF SAN FRANCISCO
San Francisco, California

Registrars

CITY BANK FARMERS TRUST COMPANY
New York, New York

BANK OF CALIFORNIA, NATIONAL ASSOCIATION
San Francisco, California

Auditors

PEAT, MARWICK, MITCHELL & CO.

Directors

NORMAN CHANDLER

DWIGHT COCHRAN

LINCAN A. WARREN

ARTEMUS L. GATES

A. R. GRIFFITH

W. S. MITCHELL

C. N. SANDERS

MILTON L. SELBY

LITHO IN U. S. A.